

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EUR-12 EA-10 AF-06 AID-05 CIAE-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 /094 W

----- 118824

R 101501Z JUN 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 1448

USDOC WASHDC

UNCLAS BUENOS AIRES 3908

PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, BEXP, AR

SUBJECT: ARGENTINE CENTRAL BANK CIRCULAR RC 524, DATED APRIL

15, 1974.

REF: A) BEAL/BIRMAN TELCON OF MAY 28, 1975; B) BA 2713;

C) BA A -327, JULY 14, 1974.

1. FOLLOWING TELCON UNDER REFERENCE WITH BANK OFFICER HENRY BIERMAN, EMBASSY HAD ENGAGED IN CONSULTATIONS WITH GOA OFFICIALS AND EMBASSIES OF SOME OF WESTERN DC'S IN BUENOS AIRES ON THE SUBJECT OF ARGENTINA'S CENTRAL BANK CIRCULAR RC 524. (THIS CIRCULAR REQUIRES ARGENTINE IMPORTERS TO OBTAIN CERTAIN MINIMUM FINANCING TERMS FOR CAPITAL GOOD IMPORTS WHICH IN SOME INSTANCES ARE ABOVE AND BEYOND THE TERMS EXTENDED IN INTERNATIONAL COMMERCE TODAY.)

2. CONSULTATION WITH THE COMMERCIAL ATTACHES OF THE EMBASSIES OF GERMANY, FRANCE, ITALY, ENGLAND, JAPAN, AUSTRALIA, CANADA, AUSTRIA, AND SOUTH AFRICA INDICATE THAT THE EXPORT FINANCING AND INSURING AGENCIES OF THEIR GOVERNMENTS ARE ALSO CONCERNED ABOUT THIS NEW REQUIREMENT AND ARE RELUCTANT TO GIVE GUARANTEES OR INSURANCE ON THESE TERMS.

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THEY ARE MOST CONCERNED WITH THE GRACE PERIODS REQUIRED

BY CENTRAL BANK'S CIRCULAR RC 524 AND BY ITS COMULATIVE CLAUSE. SEVERAL EMBASSIES INDICATED THEY WERE AWAITING THE OUTCOME OF THE BERNE UNION MEETING TO OBTAIN A READING FROM THEIR GOVERNMENTS ON THIS ISSUE.

3. IN A RECENT CONVERSATION WITH ONE OF THE VICE-PRESIDENTS OF THE ARGENTINE CENTRAL BANK, EMBOFFS WERE TOLD THAT THE CENTRAL BANK WAS FULLY AWARE THAT THE CIRCULAR WOULD CREATE PROBLEMS IN OBTAINING IMPORT FINANCING. THE CENTRAL BANK OFFICIAL INDICATED THAT THIS WAS NOT OF GREAT CONCERN AT THE MOMENT, AND, IN FACT, WAS A POSITIVE DEVELOPMENT FROM THE BANK'S POINT OF VIEW, INASMUCH AS THEIR PRIMARY CONVERN AT THE MOMENT WAS TO MAINTAIN IMPORTS AT LEVELS ONCSISTENT WITH FOREIGN EXCHANGE AVAILABILITIES. EMBOFFS GAINED THE IMPRESSION THAT THE CENTRAL BANK DID NOT INTEND TO MODIFY THIS REGULATION IN THE NEAR FUTURE.

4. IT IS IMPORTANT TO NOTE, HOWEVER, THAT COMMUNIST BLOC COUNTRIES TRADING WITH ARGENTINA HAVE INDICATED THEIR ACCEPTANCE OF THESE TERMS; (IN ANY CASE MOST OF THE EXISTING BILATERAL TRADE AGREEMENTS WITH BLOC COUNTRIES HAVE SPECIFIED MORE GENEROUS FINANCING TERMS THAN THOSE PRESCRIBED BY CIRCULAR RC 524.) TERMS AND RICES OFFERED HERE BY COMMUNIST COUNTRIES ARE ALREADY SO GENEROUS THAT WESTERN SUPPLIERS ARE GENERALLY FINDING IT VERY DIFFICULT TO COMPETE. SHOULD MEMBER COUNTRIES OF THE BERNE UNION AGREE NOT TO MEET THE TERMS OF CIRCULAR RC 524, THEY WILL BE IN EFFECT, TURNING OVER LARGE PORTIONS OF THEIR IMPORT SHARES IN SECTORS AS DIVERSE AS MACHINE TOOLS, POWER GENERATION EQUIPMENT, AND PETROLEUM EXTRACTION EQUIPMENT TO THE EASTERN EUROPEANS. WE BELIEVE THIS IS AN IMPORTANT CONSIDERATION IN ANY DECISIONS WHICH MIGHT BE TAKEN IN THIS REGARD.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, CENTRAL BANK, POLICIES, CAPITAL GOODS, CREDIT AUTHORIZATIONS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUENOS03908
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750202-0513
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750662/aaaaceov.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 BEAL/BIRMAN TELCON OF MAY 28, 75 1975, 75 BA 2713
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 13 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 FEB 2003 by PhilliR0>; APPROVED <06 FEB 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARGENTINE CENTRAL BANK CIRCULAR RC 524, DATED APRIL 15, 1974.
TAGS: EFIN, BEXP, ETRD, AR
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006